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ABSTRACT

This paper recommends replacing the existing U.S. school choice system, which relies on the housing market to ration educational opportunity, with one that creates a level playing field upon which schools compete for students, and students and their parents exercise choice. Section 1 describes the current school choice system, which works well for middle- and upper-income families but fails low-income families. Section 2 examines whether failing schools are to blame, discussing whether the fault lies with the students or the lack of resources at low-performing schools. Section 3 discusses choice outside the housing market, noting various models in use: public school choice, privately and publicly funded vouchers, and tax credits and deductions. Section 4 examines the effects on student performance of school choice, noting that nationwide evidence supports the contention that allowing parents to choose their school improves children's test scores, especially for African American students. Section 5 discusses the effects on public schools of school choice, examining whether choice programs cream the best students, what happens to the test scores of students who remain in public schools, and the effects of choice on public school finance. Section 6 discusses the effects of choice on racial integration. Section 7 examines the effects of choice on teacher pay. (Contains 69 endnotes.) (SM)

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SCHOOL CHOICE vs. SCHOOL CHOICE

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School Choice vs. School Choice

by John C. Goodman and Matt Moore

"America already has an extensive system of school choice. Yet it is both inefficient and unfair."

Contrary to a widespread impression, America already has an extensive system of school choice. Yet the system is both inefficient and unfair. It discriminates against low-income families and racial minorities.

This paper makes the case for replacing our existing school choice system with one that is better, one that creates a level playing field on which schools compete for students, and students and their parents exercise their own choices.

America's Current School Choice System

The vast majority of parents are already participating in a system of school choice. For example, there are 79 school districts within a 50-mile radius of downtown Dallas. Assuming each district has at least two campuses at each grade level, a typical family has a choice of about 158 public schools — provided the parents can afford to buy a house in any neighborhood and are willing to drive a considerable distance to work.

"Dallasites can choose from among 158 schools —provided they can afford a house in any neighborhood."

How well does this system work? Better than you might think. A study by researchers at Southern Methodist University and the Dallas Federal Reserve Bank found that North Dallas houses near higher-ranking elementary schools sold for about 20 percent more than houses near lower-ranking schools.[1] The authors conclude that the market for education works surprisingly well. Parents can discern quality and the market charges a premium for it.

This conclusion is supported by an informal survey conducted by Dallas attorney H. Martin Gibson of housing prices in Highland Park — a wealthy Dallas suburb. Although most Highland Park homes are inside the Highland Park Independent School District (HPISD), a few are in the Dallas Independent School District (DISD). Gibson found that, all else equal, homes on the HPISD side of the street sell for 24 percent more than those on the

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DISD side. This implies that many Highland Park homeowners are paying about $72,000 just for the right to send their children to Highland Park schools.[2]

If the system works well for those who have money, how does it work for those who don't? What happens to families who cannot afford to buy a house or don't even own a car? Unfortunately, they're out of luck. Since the current choice system in Dallas and across the country rations educational opportunity through the housing market, it's almost inevitable that the children of low-income families will end up in schools no one else wants to attend. These are the schools with the worst teachers, the worst principals and the lowest test scores.

A compounding factor is that parents who can afford more expensive homes are much more adept at dealing with public sector bureaucracies. If a bad teacher or principal is identified at a school in a wealthy neighborhood, parents typically will complain until that person is transferred to another school. Then the parents at the next school will likely complain. This transfer process will continue until the worst teachers and worst principals wind up at schools where either the parents don't complain or nothing happens if they do. These invariably are schools in low-income neighborhoods.

"When educational opportunity is rationed through the housing market, low-income children will end up in schools no one else wants to attend."

Of course, it is possible to turn a truly bad school into a good one through some Herculean effort.[3] But if the effort was successful and perceived to be permanent, "gentrification" would occur. Middle-income families would move into the neighborhood and bid up housing prices. Low-income residents would be priced out of the market and would have to move somewhere else. It is no accident that the worst schools are consistently found in low-income neighborhoods which lie predominantly in urban areas.[4] Indeed, it could not be otherwise.

Are Bad Schools Really at Fault?

Our current system of school choice should be replaced by a new choice system — one that is more efficient and more fair. But before considering the alternatives, we must consider two objections to the above analysis frequently raised by teachers unions and their representatives.

Does the Fault Lie with the Children? How do we know that the poor performance by children in low-performing schools is due to the fact that they are attending bad schools? How do we know that the fault doesn't lie with the children themselves? When they are in a defensive mode (i.e., when they are not asking for more money) the teachers unions throw up the image of the school as a warehouse, in which the degree of learning that takes place is due to such outside factors as the student's background, home life, genes, etc. How do we know that the teachers unions aren't right?

One piece of evidence is student performance on standardized tests over time. For instance, a National Center for Policy Analysis study of student achievement in Texas found more than 70 percent of African-American and Hispanic first graders passed a state-sponsored test to establish minimum basic skills.[5] At that point, children had spent six years with parents and only a few months with their teachers. But by the time they reached the ninth grade, more than half of the minority students in Texas were failing.[6] The longer these children spent with teachers, the worse they did — relative to society's expectations and relative to their non-Hispanic white cohorts. If home life and parents were the problem, the pattern of these test score results should have been reversed.

Another piece of evidence is that test scores of low-income children consistently improve if they are placed in schools with middle-income children. For example, a congressionally mandated four-year study of about 27,000 Title I students found that poor students who attended middle-class schools performed significantly better than those who attended schools where at least half the students were eligible for subsidized lunch.[7] The contrast was even greater with schools in which more than 75 percent of students lived in low-income households.[8] A report by *Education Week* magazine echoed this finding, concluding that poor students who had the opportunity to attend middle-class schools performed significantly better than their peers who remained trapped in high-poverty schools.[9]

"Test scores of low-income children improve if they are placed in schools with middle-income children."

Are the Worst Schools Starved for Resources? Another argument used by the teachers unions is that underperforming schools underperform because they are starved for resources — this despite academic research showing there is no relationship between student achievement and money spent, or any other input.[10]

The latest iteration of the National Assessment of Educational Progress (NAEP) test found that from 1992 to 2000 the average reading scores for fourth graders remained flat.[11] In fact, two-thirds of students fell below what the federal government deems proficient, and 37 percent fell below basic knowledge in reading, which means essentially that they cannot read.[12] Although the U.S. has spent nearly $125 billion over the last 25 years, "we have virtually nothing to show for it," said Education Secretary Rod Paige.[13]

Consider the case of the District of Columbia Public School System (DCPS). DCPS is spending more than $8,000 per student on the average, enough to pay the tuition at some of our best private schools. Yet it is one of the most dysfunctional school systems in the country and consistently scores at the bottom on student achievement exams. For example, the average math score for D.C. fourth graders is 37 points below the national average and even 21 points below the lowest scoring state.[14] Indeed, in a 1996 report, the District of Columbia Financial Responsibility and Management Assistance

FIGURE 1

Public School Choice Programs

C Indicates charter-school laws
M Indicates mandatory open-enrollment laws
V Indicates voluntary open-enrollment laws
P Indicates publicly funded voucher program
T Indicates tax credits or tax deductions for education-related expenses
None of the above

Source: "Building on Progress: How Ready Are States to Implement President Bush's Education Plan?" Education Commission of the States, January 2001.

Authority warned that the "longer students stay in the District's public school system, the less likely they are to succeed."[15]

"After Kansas City spent $2 billion, students registered no improvement in test scores."

The typical teachers union response is: whatever the amount spent, the results would be better if we spent even more. But what would happen if an unlimited amount of money were made available to bad schools? A federal judge in Kansas City, Mo., decided to find out. Under his orders, Kansas City's school system spent $2 billion of taxpayers' money. The student-teacher ratio was reduced to 12 or 13 to one, teacher pay was increased and workloads were reduced. Television and animation studios were added, as well as a robotics lab and field trips to Mexico and Senegal. The result? Black student achievement scores did not improve at all, and the black-white achievement gap remained the same.[16]

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This is an amazing outcome. If you believe the academic studies, you could improve Kansas City student achievement by just giving the kids bus fare and sending them to a school in the suburbs. Instead, this judge spent $2 billion and achieved absolutely nothing.

Choice Outside the Housing Market: Types of Choice Programs

As an alternative to rationing educational opportunity through the housing market, parents, school boards and public officials around the country are seeking other ways of exercising choice. The following is a brief description of the models in use.

Public School Choice. Under public school choice, parents have options that are restricted to public schools. For example, 33 states have open-enrollment laws of varying degrees that allow students to attend public schools outside their home district, and 18 states make open enrollment mandatory.[17] [See Figure I.] Charter schools are another popular type of public school choice, but most of the charter school activity is concentrated in a handful of states. For example, five states accounted for 57 percent of the 2,069 charter schools operating in the U. S. last fall: Arizona (408), California (261), Michigan (181), Texas (178) and Florida (151).[18] Charters "blur the boundaries between public and private schools."[19] They are public in that they take public money, use public buildings and cannot select their students, but they are free to innovate in the classroom.

The third type of public school choice is the option to attend magnet schools. Many of these schools were designed by federal judges for the express purpose of drawing white children from the suburbs back into inner-city school districts. Magnet schools are almost universally thought to work well, and in many districts are the only public schools that are competing with other schools. Currently, about 4,000 magnet schools are in operation across the country.[20] In a recent survey by the National Center for Education Statistics, 16 states reported having magnet schools — although not all states responded.[21] Those with the most magnet schools were California (472 schools with 9.3 percent of the state's student body), Illinois (315 schools and 11.6 percent of the student body) and North Carolina (119 schools and 6.1 percent of the student body).[22]

"Private voucher programs offer privately funded scholarships for students to enroll in private schools."

Privately Funded Vouchers. Privately funded voucher programs are becoming increasingly prolific. For example, Children First America is a nonprofit organization that represents 79 private voucher programs in cities and states across the country.[23] The programs offer privately funded scholarships for students to enroll in private schools. In most cases the students must come from poor families (qualify for subsidized lunches). The families often are required to pay part of the tuition, say, $500 a year. Among the most

notable privately funded programs are San Antonio's HORIZON program, the School Choice Scholarship Foundation in New York City, Parents Advancing Choice in Education (PACE) in Dayton, Ohio, the Washington Scholarship Fund in Washington, D.C., and the Children's Scholarship Fund in Charlotte, N.C. [See the sidebar: Privately Funded Voucher Programs.]

Publicly Funded Vouchers. Unlike privately funded programs, publicly funded vouchers are paid for with taxpayer dollars and can be used at participating public and private schools. These programs may or may not include religious schools. Publicly funded voucher programs include Milwaukee's Parental Choice Program, Cleveland's Scholarship Program, Florida's statewide A+ program and longstanding programs in Maine and Vermont. [See sidebar: Taxpayer-Funded Voucher Programs.]

"At least four states allow tax deductions or tax credits for education."

Tax Credits and Tax Deductions for School Choice. At least four states — Arizona, Illinois, Iowa, and Minnesota — allow taxpayers a tax deduction or tax credit for donations to organizations that provide scholarships to students or for parents who spend personal funds on private school expenses. For example, in its second year of operation Arizona's tax credit

Privately Funded Voucher Programs

Almost 50,000 students participated in 68 privately funded voucher programs during the 1999-2000 school year. Some examples:

San Antonio. San Antonio's HORIZON program was the first district-wide school choice program. Established in 1998 by the Children's Educational Opportunity Foundation, it offers choice to the 14,180 students of the Edgewood Independent School District, a majority-Hispanic district in inner-city San Antonio. The program uses only private funds. HORIZON is an example of how a state-level school choice program might operate.

New York City. The School Choice Scholarship Foundation provided 1,300 privately funded scholarships to low-income children in grades K-4. The scholarships, worth up to $1,400 annually for four years, were distributed by lottery and could be used by New York City public school students to attend either religious or secular schools.

Dayton, Ohio. Parents Advancing Choice in Education (PACE), a nonprofit organization, offered scholarships to low-income families in Montgomery County, Ohio. From an initial pool of 32,000 applicants, scholarships were awarded for the 1998-1999 school year by lottery to 515 students in public school and 250 who were already in private schools. PACE scholarships covered 50 percent of tuition at a private school up to a $1,200 cap.

Washington, D.C. In the fall of 1997, the Washington Scholarship Fund announced the expansion of a previously established, privately funded voucher program. More than 1,000 students received vouchers from a pool of 6,000 applicants; winners were selected by lottery.

Taxpayer-Funded Voucher Programs

Over the past 10 years the number of students participating in school voucher programs has climbed to more than 60,000. During the 1999-2000 school year, 12,000 took advantage of the three publicly funded programs in Cleveland, Milwaukee and Florida.

Milwaukee. The Milwaukee Parental Choice Program is a publicly funded, means-tested voucher program open to all K-12 students who are enrolled in Milwaukee Public Schools (MPS) and who come from families with incomes less than 175 percent of the federal poverty guidelines. In 1990, its first year, Milwaukee's choice program provided scholarships to only a few hundred students. After surviving numerous legal challenges, the program expanded to include religious schools. By 2000 the number of participants had grown to 12,000 and the voucher was worth a little more than $5,000.

Cleveland. Cleveland's Scholarship Program also is means-tested and is open to Cleveland students in grades K-6 who meet certain income guidelines. The scholarships pay either 90 percent or 75 percent of private school tuition, depending on the student's family income. Participating schools must agree to accept the set tuition rate as payment in full for education services. Cleveland Public Schools receive the same amount of money regardless of what school the student attends. Since public schools continue to count choice students in their budgets, funding is not reduced. In 1999-2000, 4,076 students enrolled in the Cleveland Program, which includes 56 private schools (10 sectarian, 46 religious) as well as 66 public schools and 16 magnet schools.

Florida. Florida established its publicly funded statewide voucher program in 1999. It offers scholarships only to those K-12 students who attend public schools that consistently fail. In 1999 students were eligible for a scholarship of up to $3,389 for tuition at an eligible private or public school. Only five schools met the definition of failure in the first year of the program. "Failure" was redefined in 2000, and no new schools failed that year.

Maine and Vermont. Maine's school choice program began in the late 1700s. It serves all K-12 students who live in an area known as a "sending town" that does not operate a public elementary or secondary school. Sending towns pay tuition to the school of each student's choosing, whether public or private. Of Maine's 284 school districts, 145 have exercised this option. In 1998-1999, 14,541 students participated in Maine's program.

Vermont's program started in 1869 and currently serves 6,336 students in grades 7 to 12. As in Maine, program eligibility is based on residence in districts known as "tuition towns" that do not operate a public school. The program serves K-12, but the majority of the participants are in grades 7 through 12.

program offered scholarships totaling more than $2 million to 3,700 students.[24] Under Illinois' plan, parents can receive a state income tax credit for 25 percent of tuition and books or lab fees at K-12 private or public schools up to $500 per family.[25]

"During the 1999-2000 school year, 12,000 students used taxpayer-funded vouchers."

Voucher programs can be targeted to specific populations, such as low-income families or students in schools that consistently fail. For instance, vouchers in Milaukee and Cleveland are limited to families with low incomes, while vouchers in San Antonio's HORIZON program are solely for students

in a particular school district. Florida's A+ Accountability Act aims at students in failing schools.

Choice Outside the Housing Market: Effects on Student Performance

Evidence from around the country supports the contention that allowing parents to choose a child's school improves the child's test scores. This appears especially true for African-American children.

"Allowing parents to choose a child's school improves the child's test scores."

One difficulty in evaluating student achievement in school choice programs has been deciding how best to measure the results. Researchers have long recognized that comparing choice students with students who remain in public schools imposes "selection bias." Parents who enroll their children in private schools are not a random sample of public school parents, and their children are unlikely to be a random sample of all students. For example, choice parents may be more motivated and more involved with their children's education. They may choose an alternative school because they perceive that their children's talents are not being exploited. Or they may be concerned that their children are falling behind in a traditional public school.

A research design that solves the selection bias problem is a lottery.[26] Among the students who apply and who qualify for a choice program, actual acceptance is determined by chance. Researchers can then compare the future progress of the acceptees (who enroll in choice schools) with the rejectees (who remain in public schools), assuming other factors are the same.

The Parental Choice Program in Milwaukee, for example, distributes school vouchers to qualifying students by lottery. A study conducted by Harvard University's Program on Education Policy and Governance found that students who stayed in the program for three or four years registered reading scores 3 to 5 percentile points higher than the public school control group, and math scores 5 to 11 percentile points higher.[27] [See Table I.] According to professor Paul E. Peterson of Harvard University, if this trend continued over 12 years of schooling, it would eliminate a large part of the gap in reading performance and the entire gap in math performance between white and minority students.[28]

Cecilia Rouse, Princeton economist and member of the Council of Economic Advisors during the Clinton administration, also studied the Milwaukee Choice program. She found that scholarship recipients experienced a 1.5 to 2.3 percentile point gain over their peers in math for each year spent in a private school, but she found no substantive increase in reading scores.[29] Although Rouse's study found smaller benefits than those found by the Harvard group, she concluded that the program has a generally positive effect on student achievement.

TABLE I

The Effects of School Choice on Student Achievement

Study/State	Results
Milwaukee	
Greene et al. 1997	3 to 5 percentile point benefit on reading, and 5 to 11 percentile point benefit in math after three or four years
Rouse 1998	1.5 to 2.3 percentile point benefit in math for each year
Washington, D.C.	
Greene March 2000	6.8 percentile point benefit in reading for African-American students in grades 2 through 5, but 8.2 point loss in math for students in grades 6 through 8
Howell, Wolf, Peterson, Campbell August 2000	3.3 percentile point benefit in math after one year, and 6.3 percentile point benefit after two years for African-Americans (in Washington, Dayton and New York City together)
Wolf, Howell, Peterson February 2000	3 percentile point gain in reading, and 7 percentile point gain in math for African-Americans in grades 2–5 2 percentile point gain in math, but an 8 percentile point drop in reading for African-Americans in grades 6–8
Dayton, Ohio	
Greene March 2000	6.8 percentile point benefit in math for African-American students
New York City	
Greene March 2000	2 percentile point benefit in both math and reading for grades 2 through 5, and 4 point benefit in reading, and 6 point benefit in math for grades 4 — 5 in one year
Charlotte, N.C.	
Greene August 2000	5.9 to 6.2 percentile point benefit on standardized math test, depending on the type of analysis performed. 5.4 to 7.7 percentile point benefit on standardized reading tests
Cleveland	
Greene et al. 1997	8 percentile point benefit in reading, and a 16 percentile point benefit in math after two years
Metcalf 1999	6 percentile point increase in language, and a 4 percentile point increase in science after two years

Source: Compiled from data presented in studies cited in this section.

The most critical study of the Milwaukee experiment was conducted by John Witte, a professor at the University of Wisconsin-Madison. Witte compared the academic performance of choice students to a sample of Milwaukee public school students and concluded that there was no substantial difference between the two groups, especially those from low-income families. Other researchers have criticized Witte's approach because he did not take advantage of the random assignment created by Milwaukee's lottery. However, even Witte is mildly favorable toward school vouchers. He says, "Choice can be a useful tool to aid families and educators in inner-city and poor communities where education has been a struggle for several generations."[30]

The privately funded voucher programs in New York City; Washington, D.C.; Dayton, Ohio; Charlotte, N.C.; and San Antonio, Texas, allow a closer examination of the effects of school choice programs on test scores. Vouchers are distributed in these programs by lottery also, but the privately funded programs also have collected demographics for all the applicants, allowing for a more complete analysis.

"If student test scores in Milwaukee improve at the same rate over 12 years of schooling, it would eliminate a large part of the gap between white and minority student performance in reading and the entire gap in math."

Harvard's Paul Peterson examined the choice programs in New York, Washington and Dayton. In the first year, African-Americans who switched from a public to a private school experienced an overall test score gain of 3.3 percentile points and at the end of two years had gained 6.3 percentile points over the control group.[31] However, after two years, students from other ethnic backgrounds seem to learn as much but no more in private schools than the control group.[32] [See Figure II.]

A study of New York's program by Jay Greene found that choice students in the second grade through the fifth grade excelled over their public school peers by 2 percentile points in both math and reading.[33] In addition, students in fourth grade through fifth grade gained 4 points in reading and 6 points in math in just one year in the program.[34]

In another Harvard study, Patrick Wolf, William Howell and Paul Peterson compared scholarship winners and losers. Under the Washington Scholarship Fund in Washington, D.C., they found African-Americans who received scholarships in the second to fifth grades outperformed the control group by 3 percentile points in reading and 7 percentile points in math. Those who attended private schools in grades 6 through 8, however, outscored their peers by only 2 percentile points in math and actually trailed by 8 points in reading.[35] No significant differences were observed for other racial groups.

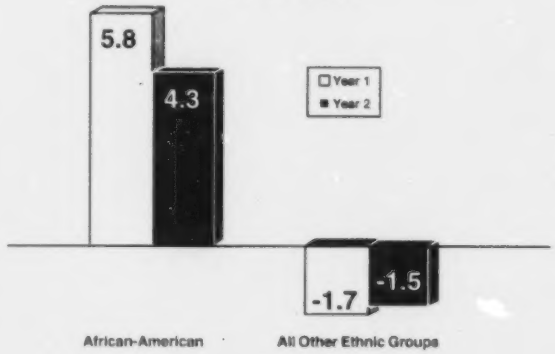
A second study of the Washington Scholarship Fund was conducted by Jay Greene. He found that African-American students in grades 2 through 5 gained 6.8 percentile points in reading; however, students in grades 6 through 8 lost 8.2 points in math.[36] In Dayton, Greene found that African-American students gained 6.8 percentile points in math, but their gain in reading fell short of statistical significance, probably because of the modest sample size.[37]

"Research by Paul Peterson shows that choice improves student performance, especially for African-American children."

FIGURE II

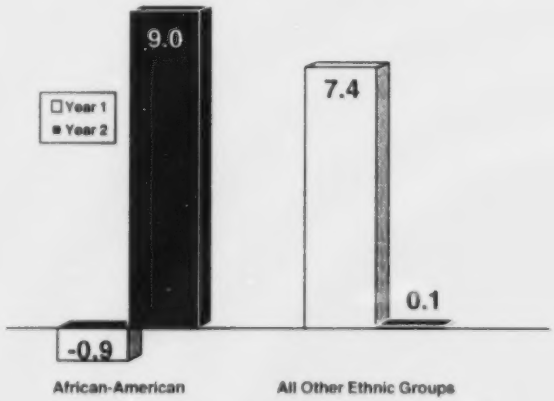
Impact of Switching to a Private School on Test Score Performance in

New York



Dayton, Ohio

Washington, D.C.



Source: Harvard University Program on Education Policy and Governance.

Evidence from Greene's examination of the Children's Scholarship Fund Program, a privately funded scholarship program targeted toward low-income families in Charlotte, N.C., also showed that providing families with scholarships has significant benefits. Scholarship recipients' scores on standardized math tests improved by 5.9 to 6.2 percentile points, depending on the type of analysis performed.[38] Scholarship recipients' improvement on standardized reading tests was 5.4 to 7.7 points.[39]

Cleveland's publicly funded school choice program — which started as a lottery but expanded in an effort to offer all low-income families a scholarship — has also been studied in depth. Jay Greene, William Howell and Paul Peterson found that after two years in a private school, students registered an 8 percentage point gain in reading and a 16 percentile point benefit in math.[40]

In another study of the Cleveland program, Dr. Kim Metcalf of Indiana University's Indiana Center for Evaluation found that after one year, student test scores showed no difference. After two years, choice students' test scores increased 6 percentile points in language and 4 percentile points in science over their public school counterparts, although there was no change in math, English or social studies.[41]

International Evidence. Additional evidence of the success of school choice programs is provided in a study conducted by Joshua Angrist et al. of the Plan de Ampliación de Cobertura de la Educación Secundária (PACES), a Colombian school choice program that ran from 1992 to 1997. Scholarships were awarded by lottery, and by 1997 more than 125,000 vouchers had been awarded.

"A study in Colombia found that school choice there had much the same favorable effects."

The length of the study enabled researchers to examine the longitudinal effects of school choice on participants. The authors found that scholarship winners experienced "higher educational attainment, lower grade repetition, a higher probability of taking college entrance exams, higher test scores and a lower probability of teen marriage or employment" than applicants who were turned away.[42] In addition, college matriculation exam and achievement test results suggest that PACES vouchers had long-term benefits for recipients.

Choice outside the Housing Market: Effects on Public Schools

Public schools enroll 89 percent of the nation's primary and secondary children and consume 92 percent of the country's education spending.[43] Even if we wanted to, we could not move all these children into private or charter schools in a short time. So one of the most important questions to ask about new systems of school choice is: what is the impact on public schools and the children who remain in them?

Do School Choice Programs Cream the Best Students? Critics of school choice fear that vouchers will draw the best students from public

schools. The most involved parents and the most motivated students will be most likely to choose an alternative school, they argue, leaving the public schools to educate an increasingly difficult population without the support of informed, engaged parents. This will cause bad schools to become even worse.

A problem with this argument is that it ignores one of the most important reasons why parents enroll their children in private schools: private schools are a refuge for students who fail in the public schools. Not only do parents seek alternatives for those children, but public school systems themselves frequently turn to the private sector for help with the most difficult students. According to the U.S. Department of Education, more than 100,000 students currently attend private schools with public money. Students with serious emotional disturbances account for 40 percent of these students.[44]

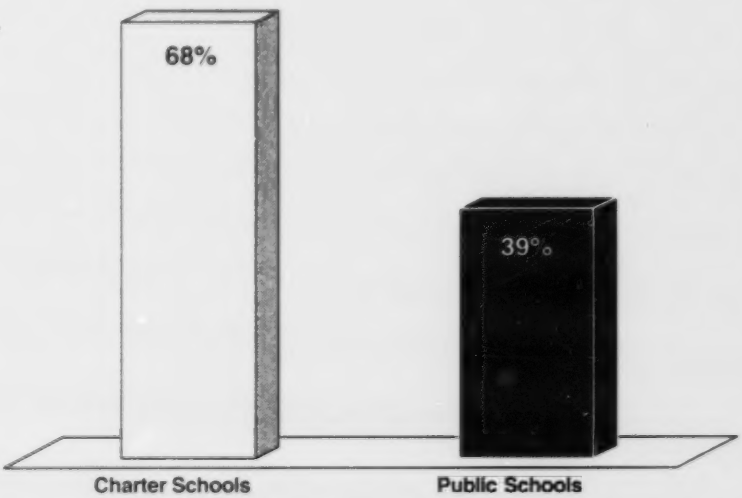
"More than 100,000 students currently attend private schools with public money."

The population of charter schools shows no evidence of cream skimming. In Texas, 68 percent of the students attending open-enrollment charter schools are classified as at-risk (because of limited English proficiency, poverty, race, or geographic location), compared to 39 percent in Texas' traditional public schools.[45] [See Figure III.] In addition, seven of the 19 state charter schools now in operation are specifically for students who have dropped out of other schools.[46]

"The population of Texas charter schools shows no evidence of creaming. In fact, more than two-thirds of their enrollment are at-risk children."

FIGURE III

At-Risk Students in Texas Schools



Source: Dorman E. Cordell, "Choice and Accountability: Texas Leads the Way," National Center for Policy Analysis, Brief Analysis No. 259, March 10, 1998.

Voucher programs do not skim cream either. In a 1999 evaluation of the Cleveland program, Paul Peterson discovered that "[Cleveland] Choice students, on average, have significantly lower family incomes than do Cleveland City public school students ($15,769 vs. $19,948), are significantly more likely to be raised by only their mother (68.2 percent vs. 40 percent) and are significantly more likely to be African-American (68.7 percent vs. 45.9 percent)."[47] Further, evaluations of the Milwaukee program and others demonstrate that they are not only enrolling students from low-income families, they are also enrolling students with below-average scores on achievement exams.

San Antonio's HORIZON program offers a scholarship to every student in the entire Edgewood School District. The 545 families in the HORIZON program have a slightly lower average family income than the Edgewood public school families.

What Happens to the Test Scores of Students Who Remain in the Public Schools? Schools that serve low-income communities typically operate as virtual monopolies. Their "customers" are held captive, unable to choose a rival institution. Like monopolies in business, they have little incentive to improve the quality of their product. However, when a school choice program emerges, the incentives quickly change.

Research conducted by Harvard economist Caroline Hoxby shows pronounced academic improvement in areas where public and private schools compete for the same students. Among students transferring from public to private schools, Hoxby found a 12 percent increase in future wage gains and a 12 percent increase in the probability of college graduation. But interestingly, Hoxby also found an 8 percentage point increase in the test scores of the students who *remained* in public schools.[48] This suggests that by forcing public schools to compete in areas where they previously had a monopoly, school choice programs improved the educational outcomes of all students.

"Every student in Giffen Elementary School, a failing school in Albany, N.Y., was offered a voucher; the public schools responded by making radical changes."

Considerable anecdotal evidence supports Hoxby's conclusion. Giffen was perhaps the worst public elementary school in Albany, N.Y., when philanthropist Virginia Gilder offered private school scholarships to all of its students. Within months of the offer, the public school establishment responded by making radical changes. The school board installed a new principal, hired two new assistant principals, moved 10 teachers to other schools, and set aside $125,000 for books, equipment and teacher training.[49]

After Milwaukee's choice program was expanded to allow participation of up to 15 percent of public school enrollment, about 15,000 students, the public school system closed its six worst schools and responded in other ways:[50]

- More childhood education programs were developed, kindergarten programs for the 5-year-olds developed into all-day schedules and the number of kindergarten programs for 3-year-olds tripled.
- Before- and after-school programs expanded. In 1995 the public school system had one school with before- and after-school child care and tutoring programs for low-income families. Today, there are 82 programs.
- Charter schools grew. In 1995, only one charter school was authorized. By the 2000-2001 school year, six additional charter schools were in operation.
- Access to health care improved. Two public schools had health clinics in 1995. Today there are 47.

Florida's A+ program provides additional evidence.[51] Florida's program ranks schools by grades of A through F. Students in schools that receive an F for any two years in a four-year period receive vouchers to attend another public or private school of their choice. Meanwhile, the state takes over and reorganizes the school.

"Florida's F and D schools took aggressive steps to improve performance."

Because Florida's efforts are targeted at failing schools, we would expect F schools to make more serious reform efforts than passing schools. After all, if F schools fail to improve, they are "voucherized," whereas if A through D schools do not improve they are slapped on the wrist. A detailed analysis of Florida's program by Jay Greene shows that student scores did indeed improve more quickly for students in schools that faced vouchers (F schools). According to Greene, the year-to-year change in test results does not differ among schools that received A, B or C grades. However, schools that received D grades improved a bit more than their superior counterparts. The F schools — those that faced "voucherization" if their poor performance was repeated — registered the greatest gains of all. [See Table II.]

Is it possible that F schools just had more room for improvement? Would that account for the greater pace of change? Anticipating these questions, Greene compared higher-scoring F schools to lower-scoring D schools, which ensured that the improvements realized by failing schools were indeed due to the threat of vouchers. Both F and D schools had a history of low performance and faced pressures to avoid repeating low performance. While both "types" of schools were alike in many respects and perhaps were distinguished only by chance, F schools faced a much harsher future if they failed to improve. Green found that the improvement achieved by higher-scoring F schools was greater than the gains realized by lower-scoring D schools.

Another study of Florida's A+ program by Carol Innerst for the Center for Education Reform reveals the steps Florida's F and D schools took to

"Florida schools that faced 'voucherization' if they failed registered the greatest student performance gains of all."

TABLE II

Test Score Gains in Florida Public Schools by Assigned Rank (A through F)

School Grade in 1999	Change in FCAT Scores from 1999 to 2000		
	Reading	Math	Writing
A	1.90	11.02	0.36
B	4.85	9.30	0.39
C	4.60	11.81	0.45
D	10.02	16.06	0.52
F	17.59	25.66	0.87

FCAT is Florida's Comprehensive Assessment Test.
Math and reading scales range from 100 to 500.
The writing scale ranges from 0 to 6.
The change in F schools compared to schools with higher grades is statistically significant at $p < 0.01$.

Source: Jay P. Greene, "An Evaluation of the Florida A+ Accountability and School Choice Program," Manhattan Institute Center for Civic Innovation, February 2001.

improve performance, including longer school days, additional teacher in-service days for professional development and special programs to improve math and reading skills for at-risk students.[52] For example, in Escambia County, location of a number of the schools deemed as failing in 1999, public school officials provided Saturday tutoring, hired new teachers and required parent-teacher conferences each grading period.[53]

Other examples include Gadsden County School District's development of direct instruction programs, Palm Beach County School District's establishment of classroom libraries and closer observation of teachers in failing schools, Polk County School District's new language arts program and Volusia County School District's reduced class sizes and reading specialists.[54]

What Are the Effects on Public School Finances? Critics often claim that choice programs will drain resources from the public schools. In an ideal choice system, the critics would be right. Indeed, the loss of funds that follows a loss of students is the primary motivator for improvement among schools that compete with each other. This, after all, is the way competition works in other markets.

However, most public school systems have not lost money as a result of an exodus of students. Rather, the public schools have gained. For example, the Milwaukee Public School system makes a profit on students who participate in the voucher program. In 1996-97, the district sent about $4,400

per student to the private schools the students enrolled in, but collected from the state $7,500 — earning a $3,100 "profit" for each student it no longer educated.[55]

The Cleveland choice program also benefits the public schools financially. Public schools receive full per pupil funds for each student enrolled in the voucher program and, as in Milwaukee, are subsidized for students they no longer teach. In 1996-97, Cleveland public schools received a net surplus of more than $118,000 because of the voucher program.[56]

Choice outside the Housing Market: Effects on Racial Integration

Over the past four decades, many — perhaps most — large city school systems have operated under court order. In these systems, federal judges must approve all important decisions to achieve one overriding goal: racial integration. The efforts all have failed. For example, the Dallas School District — which is 54.6 percent Hispanic, 35.8 percent African-American, 7.8 percent white, 1.4 percent Asian, and 0.4 percent American Indian — is the only Texas school district still under the jurisdiction of a federal court.[57] In response to the court, and sometimes to head off legal action, Dallas has established an array of disparate programs. Yet Dallas has 28 of the state's lowest-performing schools and is the worst of Texas' eight largest school districts.[58]

More generally, half of all public school 12th graders are in classes that have more than 90 percent or fewer than 10 percent minority students. The situation has been very different in the private sector. Just 41 percent of private school students are in similarly segregated classrooms.[59] More than 37 percent of private school students are in classes whose racial composition is within 10 percent of the national average, while only 17.8 percent of public school students are in classes that are similarly mixed.[60]

"Overall, private school students are more likely than public school students to form racially heterogeneous groups."

Overall, private school students are more likely than public school students to form racially heterogeneous groups. According to Jay Greene, 63.5 percent of students observed in private school lunchrooms sat in groups in which one in five students was of a different race. In public schools 49.7 percent of students were in a similarly integrated lunchroom setting.[61]

Milwaukee's choice program is an example of this generalized national trend. Opponents of the program raised fears that most students fleeing Milwaukee public schools for private schools would be white. In fact, the racial composition of the program is almost identical to that of the public schools.[62]

Cleveland's story is much the same. Some 19 percent of Cleveland's voucher recipients attend private schools that have a racial composition resembling the makeup of the Cleveland area.[63] Only 5 percent of public school students in the Cleveland area are in comparably integrated schools.[64] In addition, more than 61 percent of public school students in metropolitan Cleveland attend schools that are almost all white or almost all minority.[65] Only half the students in Cleveland's Scholarship Program are in comparably segregated schools. Integration is not great in either system but is markedly better in the choice program.

These results are indicative of school choice programs — both public and private — across the country. For example, more than 70 percent of the students in Texas' 178 charter schools are minorities[66] — 45 percent Hispanic and 29.3 percent African-American — while 53 percent are minority in regular public schools.[67] [See Figure IV.]

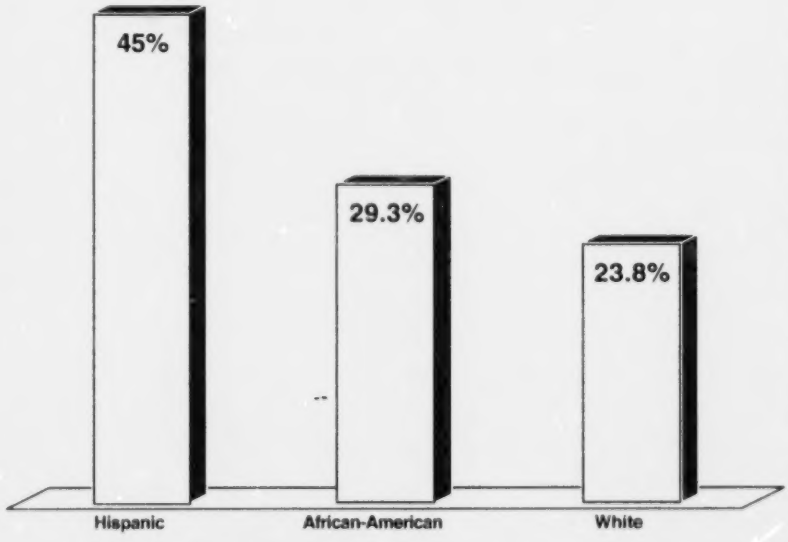
"Charter schools in Texas are 70 percent minority, while the traditional public schools are only 53 percent minority."

Choice outside the Housing Market: Effects on Teacher Pay

A concern of teachers unions is that competition and choice schools will lower teachers' salaries. Evidence on this question comes from Arizona,

FIGURE IV

Students Attending Texas Charter Schools

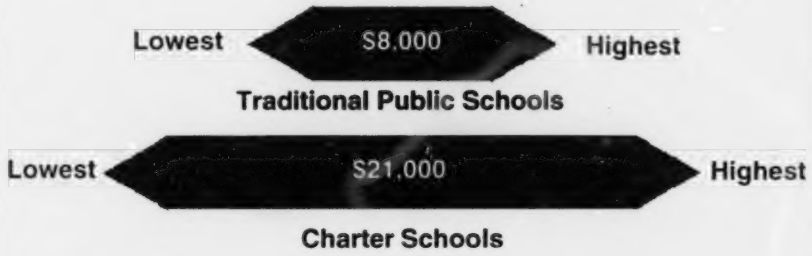


Source: Dorman E. Cordell, "Choice and Accountability: Texas Leads the Way," National Center for Policy Analysis, Brief Analysis No. 259.

"Charter school teachers earn more than public school teachers and good teachers earn much more."

FIGURE V

Salary Range Variance for Newly Hired Teachers in Arizona



Source: Goldwater Institute survey.

which has the most extensive charter school system in the nation. The state has 360 charter schools and virtually any private school can become a charter school, so in effect Arizona's charter school system is a thinly disguised voucher system.

In Arizona public schools, there is a specific entry salary for every level of education. The salaries vary over a range of about $8,000, with differences based on years of teaching experience. There is little flexibility in pay and no way to reward the more successful teachers. Charter schools, by contrast, are free to set their own salaries and reward systems. The result: charter schools teachers earn more and good teachers earn much more. In the charter schools, beginning teachers earn an average of 6 percent more, while salaries for newly hired teachers vary by $21,000 depending on expertise, experience, education and other credentials.[68] [See Figure V.]

Many good teachers burn out in the public schools and drop out of teaching altogether. It might be possible to coax that corps of teachers back into the classroom if they could earn higher salaries, face less bureaucracy and enjoy greater safety.

Washington, D.C., has one of the nation's fastest-growing charter school systems. Some 15 percent of D.C. students — about 10,000 children — attend 33 charter schools. Because of the freedom to innovate and escape the bureaucracy of the D.C. Public School system, teachers have flocked from the public schools to charters. According to Paul Vance, school superintendent, "Teachers who have gone from our schools to the charter schools have found the freedom and collegiality which they were promised.... They saw an opportunity to do what they had dreamed of doing, to become unshackled."[69]

Conclusion

"Students trapped in failing schools have the most to gain from a different kind of school choice."

America has a nationwide school choice system that rations educational opportunity through the housing market. In this market, failing schools have become concentrated in low-income, inner-city urban areas where housing prices are lowest. Students trapped in these failing schools consistently register the nation's poorest academic performances. Thus they have the most to gain from a different kind of school choice and the most to lose under the status quo.

Evidence is mounting that allowing parents to choose a child's school improves the child's test scores. Evidence is also mounting that when public schools are challenged by the prospect of losing students because of the availability of school choice, the academic performance of both the students who leave and those who remain in the public schools improves.

John C. Goodman is President of the National Center for Policy Analysis, and Matt Moore is a policy analyst at the NCPA.

NOTE: Nothing written here should be construed as necessarily reflecting the views of the National Center for Policy Analysis or as an attempt to aid or hinder the passage of any bill before Congress.

Notes

[1] See Shawna Grosskopf, Kathy Hayes, Lori Taylor, and William Webber, "Allocative Inefficiency and School Competition," Federal Reserve Bank of Dallas Working Paper #97-08, 1997.

[2] That premium may be a bargain if it is compared to the present value of 12 years of tuition at an expensive private school.

[3] For more information, see Samuel Casey Carter, *No Excuses: Lessons from 21High-Performing, High Poverty Schools* (Washington, D.C.: Heritage Foundation, 2001).

[4] America's worst schools are found in high poverty areas, typically in inner cities. For more information on the association between high-poverty urban areas and low student performance, see *Education Week*, "Quality Counts 1998: The Urban Challenge," http://www.edweek.com/sreports/qc98/intros/in-n.htm.

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[7] Ibid.

[8] "Prospects: The Congressionally Mandated Study of Educational Growth and Opportunity," 1997, http://www.ed.gov/offices/OUS/PES/esed/prospect.html.

[9] *Education Week*, "Quality Counts."

[10] Per pupil expenditures rose 58 percent in real terms during the 1960s, 27 percent in the 1970s, and 29 percent during the 1980s and 1990s. In dollar terms, average real spending per pupil in public schools climbed from just under $2,000 to just over $6,000 from 1960 to 1996. At the same time, the number of pupils per teacher declined from 26 to 17 and salaries for instructional staff increased from $25,206 to $39,451. However, despite the additional resources, test scores continuously declined. Eric A. Hanushek has conducted several surveys of most of the recently published empirical literature and determined that there is no clear relationship between school expenditures and student performance. For more information, see Eric A. Hanushek, Steven G. Rivkin and Lori L. Taylor, "Aggregation and the Estimated Effects of School Resources," *Review of Economics and Statistics*, Vol. 78, No. 4, November 1996, pp. 611-27.

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[20] Author's interview with Dr. Judith Stein, Executive Director of Magnet Schools of America, a clearing house for information on magnet schools, April 10, 2001.

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About the NCPA

The National Center for Policy Analysis is a nonprofit, nonpartisan research institute founded in 1983 and funded exclusively by private contributions. The mission of the NCPA is to seek innovative private-sector solutions to public policy problems.

The center is probably best known for developing the concept of Medical Savings Accounts (MSAs). The *Wall Street Journal* called NCPA President John C. Goodman "the father of Medical Savings Accounts." Sen. Phil Gramm said MSAs are "the only original idea in health policy in more than a decade." Congress approved a pilot MSA program for small businesses and the self-employed in 1996 and voted in 1997 to allow Medicare beneficiaries to have MSAs.

Congress also relied on input from the NCPA in cutting the capital gains tax rate, in creating the Roth IRA and eliminating the Social Security earnings penalty. These proposals were part of the pro-growth tax cuts agenda contained in the Contract with America and first proposed by the NCPA and the U.S. Chamber of Commerce in 1991. Two other tax changes — an increase in the estate tax exemption and abolition of the 15 percent tax penalty on excess withdrawals from pension accounts — also reflect NCPA proposals.

Another NCPA innovation is the concept of taxpayer choice — letting taxpayers rather than government decide where their welfare dollars go. Legislation to create taxpayer choice at the state level was sponsored last year by Reps. John Kasich, J.C. Watts and others. The idea is also a priority of President Bush.

Entitlement reform is another important area. With the grant from the NCPA, economists at Texas A&M University have developed a model to analyze Social Security and Medicare, and is publishing a series of studies on the future of the two entitlement programs. This work is directed by Texas A&M Professor Tom Saving, who has been appointed a Social Security and Medicare trustee. The NCPA has also established an interactive online Social Security calculator (www.mysocialsecurity.org), that allows visitors to compare their Social Security benefits with returns if they payroll taxes had instead been invested privately.

In the 1980s, the NCPA was the first public policy institute to publish a report card on public schools based on results of student achievement exams, and an NCPA task force made the case for school choice. Subsequently, the NCPA pioneered the concept of education tax credits as one route to school choice. The NCPA and Children First America have published an Education Agenda for the new administration, a book whose contributors include Nobel laureate Milton Friedman, Sen. Jon Kyl and other school choice experts.

The NCPA's Environmental Center works closely with other think tanks to provide common sense alternatives to extreme positions that frequently dominate environmental policy debates. In 1991 the NCPA organized a 76-member task force, representing 64 think tanks and research institutes, to produce *Progressive Environmentalism*, a pro-free enterprise, pro-science, pro-human report on environmental issues. The task force concluded that empowering individuals rather than government bureaucracies offers the greatest promise for a cleaner environment. Later, the NCPA produced *New Environmentalism*, written by Reason Foundation scholar Lynn Scarlett. The study proposes a framework for making the nation's environmental efforts more effective while reducing regulatory burdens. More recent publications include a pathbreaking study that showed the costs of the Kyoto protocol on global climate change would far exceed any benefits.

In 1990 the NCPA's Center for Health Policy Studies created a health care task force with representatives from 40 think tanks and research institutes. The pro-free enterprise policy proposals developed by the task force became the basis for a 1992 book, *Patient Power*, by John Goodman and Gerald Musgrave. More than 300,000 copies of the book were printed and distributed by the Cato Institute, and many credit it as becoming the focal point of opposition to Hillary Clinton's health care reform plan.

A number of bills before Congress promise to protect patients from abuses by HMOs and other managed care plans. Although these bills are portrayed as consumer protection measures, NCPA studies show they would make insurance more costly and increase the number of uninsured Americans. An NCPA proposal to solve the problem of the growing number of Americans without health insurance would provide refundable tax credits for those who purchase their own health insurance. The NCPA has assisted members of Congress to formulate a bipartisan tax credits proposal.

NCPA studies, ideas and experts are quoted frequently in news stories nationwide. Columns written by NCPA experts appear regularly in national publications such as the *Wall Street Journal, Washington Times* and *Investor's Business Daily*. NCPA Policy Chairman Pete du Pont has a weekly column on the *Wall Street Journal's* OpinionJournal.com and another weekly column distributed by the Knight-Ridder Tribune news wire. In addition, his radio commentaries reach 2.2 million listeners across America.

According to Burrelle's, the NCPA was mentioned or quoted in about 15 news articles every day somewhere in the United States in 2000. The advertising dollar equivalent of all print and broadcast coverage was more than $50 million.

The NCPA Internet site (www.ncpa.org) embraces the philosophy of one-stop shopping, linking visitors to the best available information on public policy, including studies produced by think tanks all over the world. Brittanica.com named the NCPA Web site one of the best on the Internet for quality, accuracy of content, presentation and usability.

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— TIME

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— CHRISTIAN SCIENCE MONITOR

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